Web site: www.maricopa.gov/mihs2district

Agenda

- Introduction
- Overview of Maricopa Health System: Facts & Challenges
- Budget Report
- Questions & Answers
- District Board of Directors: Role & Responsibilities
- Panel Discussion

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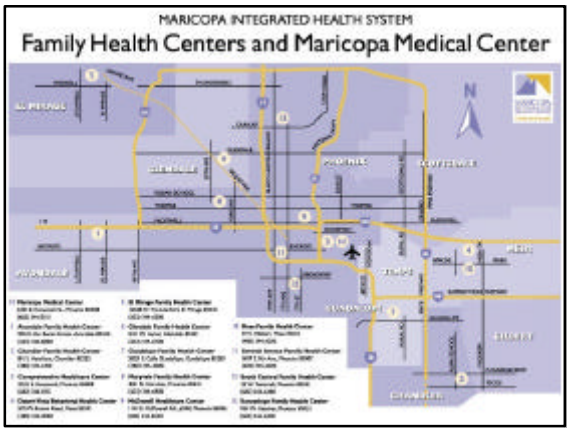
Maricopa Health System: Facts & Challenges

We're bigger than you think!



Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

Level I Trauma Center:

- 78,000 emergency room visits – that's about 213 visits per day.
- MMC's trauma center is the 2nd busiest in the state
- One of Five Level I Trauma Centers in Maricopa County
- One of only Two Level I Trauma Centers that are equipped to handle a large volume of pediatric patients.

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

Arizona Burn Center:

- MMC's Arizona Burn Center is the only burn center in Arizona
- The next closest burn center is over 500 miles away
- Third largest burn center in the USA
- Treats over 3,600 patients annually

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

Physician Education:

- Maricopa Medical Center's Physician Teaching Program is the largest program in Maricopa County, and the second largest in Arizona
- Over 250 residents trained at Maricopa Medical Center annually

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

- Maricopa Medical Center annually provides:
  - 560,000 outpatient visits
  - 29,000 inpatient stays
  - 6,000 babies delivered (one every hour-and-a-half)
- In 2004, Maricopa Medical Center is expected to provide over $250M in services, approximately $31M of which will be uncompensated

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

- Who uses Maricopa Medical Center (Top Five in Payer Mix*):

31%	MHP/MLTCP/Senior Select
26%	Other AHCCCS (Medicaid) Plans
13%	Medicare
13%	Self Pay
11%	Private Insurance

*Based on gross revenue

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

- Who works here:
  - Approximately 4,000 dedicated staff members
  - 285 MedPro physicians
- Staffing Challenges:
  - As with all County departments, employee compensation issues have contributed to increased turnover
  - Expansion of other hospital systems in the County has also contributed to increased competition for allied health professionals

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

- **MedPro** is multi specialty physician group with a mission that emphasizes care for underserved populations and the education of resident physicians and medical students.
- **MedPro** includes:
  - 285 physicians
  - 11 specialties:
    - Anesthesia (9)
    - Emergency Medicine (6)
    - Family Medicine (42)
    - Internal Medicine (64)
    - Psychiatric (45)
    - Surgery (29)
    - ? Pediatrics (35)
    - ? OB/GYN (21)
    - ? Pathology (6)
    - ? Radiology (17)
    - ? Orthopedic (12)

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

- 108 locations that **MedPro** physicians visit
  - Inpatient Locations – 31
  - Long Term Care – 62
  - Outpatient Locations - 15
- **MedPro** serves:
  - MIHS patients at MIHS facilities
  - MIHS patients at other locations
  - Contracts with other health systems and providers

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Maricopa Medical Center

Facts & Challenges — We're bigger than you think!

- Other challenges:
  - Financial
    - Over $32M in Uncompensated Care annually
  - Facility limitations and lack of capital dollars: Although over $60M has been invested in capital improvements over the last 5 years, much more is still needed.
  - Need to develop more community support.

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Transition & Turnaround

Status & Accomplishments

Delivery System Turnaround Initiatives

- Revenue cycle improvements
  - $14M improvement in cash collections from March through May, vs. same period in FY02-03
  - $7.8M over target
  - Revenue enhancements should generate $15M improvement
- Staffing analysis – provide for more efficient utilization, control costs – reduced reliance on high-priced temporary staff (over $1M savings)
- Capital projects – address critical needs
- Supply chain initiatives – reduce and control costs ($5M expected savings)
- Cost Accounting System – support profit/loss analyses in all areas

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Health Plan Turnaround Initiatives

- Health Plan Challenges
  - OAO System Issue – The Health Plans' claims payment and member management system has not worked properly since its implementation.
  - AHCCCS Sanctions – AHCCCS imposed a $500,000 sanction related to OAO encounter issues, and a cap on auto-enrollment to the Maricopa Health Plan

Outside Company Selected to Process Health Plans 'Claims Payments

- Given the OAO implementation difficulties, MIHS has chosen to move to an outside resource to process claims:
  - Obtaining an outside resource is an important step in fixing the claims processing difficulties
  - Over 600,000 claims are currently estimated to be "pended" in OAO system
  - The backlog continues to grow
  - Estimated 12 to 24 months required to clean-up claims and pursue overpayments for recovery
  - No reliable claims data to estimate what Plans really owe

Outside Company Selected to Process Health Plans 'Claims Payments, cont.

- MIHS conducted an extensive evaluation process to select a "Third Party Administrator" or "TPA"
- AmeriHealth Mercy has been selected
- A "TPA" is an outside company that processes and pays claims for the Health Plans.
- Letter of agreement has been signed, and MIHS is negotiating a final contract

Timeline for Outside Claims Processing Company

- AmeriHealth Mercy is expected to begin processing claims for services rendered after July 1st
- First actual claims payments will be made in September
- Initial set of reliable data anticipated by December 2004

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Transition Policy Decisions

- June 9th Board of Supervisors ("BOS") – Initial policy guidance from BOS, who also serve as interim Board of Special Health Care District.
- The Board of Supervisors/Board of Directors, acting in their dual roles are:
  - Involved in guiding the transition process
  - Committed to an open and fair process

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Transition Date

- Delivery System – January 2005
  - Maricopa Medical Center (including The Arizona Burn Center and Maricopa Psychiatric Center), Desert Vista Behavioral Center, The Comprehensive Healthcare Center, and 11 Family Health Centers
  - Delivery System will be ready for a "clean hand-off" by January 2005
- Health Plans – Later date to be determined
  - Health Plans are in no shape to be transferred and won't be by January 2005
  - Health Plans' problems will take a long time to fix – 12 to 24 months
  - Health Plans transfer must receive AHCCCS approval which may be formidable

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Budget Report

Delivery System Budget Highlights

- FY 05 Net Income $7.3 million (after $11.8 million subsidy)
- Ending balance $20.2 million – builds reserve for transition
- Revenue:
  - Proposed 13.5% general rate increase (Pharmacy – 10%); net impact is $4.0 million revenue increase
  - No change in Gen. Fund subsidy (to be paid pre Transition)
- Expenditures
  - Bad Debt down $15 million
  - Capital Outlay: $15 million ($1.6 million over depreciation); critical needs for current programs; OMB pre-review
  - Compensation: $7.9 million for merit & market adjustments

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Delivery System Budget Summary
Fiscal Turnaround

	FY 04 Budget	FY 04 Proj Act	FY 05 Budget
		(millions)	
Beginning Balance	$ (10.3)	$ (2.2)	$ 12.7
Revenue	424.3	469.2	470.1
Expenditures	452.2	466.1	474.5
Net Income	$ (27.8)	$ 3.1	$ (4.5)
General Fund Subsidy	11.8	11.8	11.8
Transfers from Health Plans	16.3	-	-
Ending Balance	$ (10.0)	$ 12.7	$ 20.1

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Health Plans Budget Highlights

- FY 04 General Fund Subsidy has decreased from $43.5 million to $41.25 million
- FY 05 General Fund Subsidy - $8.9 million
- Ending Fund Balances near zero after Contractual Reserves
- Net Income/Loss prior to General Fund Subsidies:
  - Health Plan (AHCCCS) - $1.1 million loss
  - Long-Term Care Plan (ALTCS) - $2.2 million income
  - Senior Select (Medicare) – $7.7 million loss
- General Fund Subsidy:
  - Health Plan (AHCCCS) - $1.1 million
  - Senior Select (Medicare) – $7.8 million
- Funding included for average 3% pay-for-performance

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Health Plan (AHCCCS) Budget Summary

	FY 04 Budget	FY 04 Proj Act	FY 05 Budget
		(millions)	
Beginning Balance	$ 2.2	$ 6.5	$ 0.0
Revenue	129.5	131.7	123.5
Expenditures	124.1	140.3	124.7
Net Income	$ 5.4	$ (8.6)	$ (1.1)
General Fund Subsidy	-	1.8	1.1
Transfers to Delivery System	(6.3)	-	-
Change in Reserve	-	0.4	0.1
Ending Balance	$ 1.3	$ 0.0	$ 0.1

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Long-Term Care Plan (ALTCS) Budget Summary

	FY 04 Budget	FY 04 Proj Act	FY 05 Budget
		(millions)	
Beginning Balance	$ 15.9	$ 8.4	$ 0.1
Revenue	232.0	227.9	215.9
Expenditures	222.1	264.7	213.7
Net Income	$ 10.0	$ (36.7)	$ 2.2
General Fund Subsidy	-	27.5	-
Transfers to Del. Sys., MSSP	(15.5)	-	-
Change in Reserve	-	1.0	1.4
Ending Balance	$ 10.3	$ 0.1	$ 3.7

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Senior Select Budget Summary

	FY 04 Budget	FY 04 Proj Act	FY 05 Budget
	(millions)		
Beginning Balance	$ (6.3)	$ -	$ 0.1
Revenue	54.9	51.6	42.1
Expenditures	56.1	63.5	49.8
Net Income	$ (1.2)	$ (11.9)	$ (7.7)
General Fund Subsidy	-	12.0	7.8
Transfers from Health Plans	7.5	-	-
Ending Balance	$ -	$ 0.1	$ 0.1

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Questions & Answers

The Role of Governance

The Essence of Service.

Introduction

The purpose of this presentation is to help interested citizens and prospective board members understand the responsibilities and commitment required to serve on the board of a major health care institution.

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Introduction

The hospital and health system exists to serve the community. The community has a legitimate interest in the organization. The board represents that interest.

Aristotle said: "One swallow does not make a spring." Likewise, one individual does not make a board.

The board must be considered as a composite of members who have various qualifications, rather than as a composite of members all of whom are equally equipped in terms of qualifications. It is the mix and diversity of qualifications that brings strength to a board.

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What makes a good board member?

Individuals, however, must possess some basic ingredients.

-A commitment to community health and welfare. Although the members of the Health Care District board will be elected – there must be a recognition that it is a VOLUNTEER job and there must be a passion for the work to be done.

-A commitment to the significant time requirements of a truly functioning governance body. There has to be a willingness to study, prepare, participate and learn.

-Ability to conceptualize – to think abstractly – look over the hill to the future.

-Broad perspective – viewing the organization as a whole, not just focusing on certain parts.

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What makes a good board member? *Cont.*

-Capacity for objectivity
- No vested interests
- Open-minded about external and internal changes
- No "personal board room agenda"

-Ability to maintain confidentiality

-Ability to ask probing questions and debate in a non-threatening manner.

-Integrity

-Ability to focus on the work of the board rather than the work of management; to focus on policy, not day-to-day management

-Have some translatable experience. Although the board member need not have previous experience with a health care organization, the experience, be it technical, professional, managerial, educational, theological or other service should be translatable to the governance of the health care enterprise.

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What makes a good board member? *Cont.*

It is equally important to note that, due to Maricopa Integrated Health System participation in the Medicare and Medicaid Programs, persons who have been barred (through sanctions by CMS) from owning, governing, or working for entities that are Medicare and/or Medicaid participating providers should make such sanctions known. To not do so could place the organization at risk.

Board membership should not be looked upon as a ceremonial role and an opportunity to add another item to one's resume. It should be looked upon as hard, but emotionally rewarding, work. It requires time, commitment and understanding. It requires the ability to make tough decisions on tender issues.

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Board Functions

The functions of a board usually fall into several categories:

-Adopting Bylaws for governance and the structure for carrying out the work of the board.

-Establishing the "Mission and Vision" of the organization, i.e., what do we want to be or become? What is our reason for existing?

-Establishing the "Values" of the organization, i.e., what do we believe in and how are we going to act? What are our behavioral standards?

-Setting the strategic direction of the organization, i.e., how are we going to achieve the "Mission" and "Vision"?

-Establishing governance policies within which the board, management, medical staff, employees and volunteers are expected to function.

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Board Functions, cont.

-Appoint a President/Chief Executive Officer, monitor and evaluate her/his performance.

-Appoint clinical professionals who work within the organization's medical staff structure.

-Ensure the mechanisms are in place for assuring –
- quality care
- safe environment
- non-discrimination
- compliance (with JCAHO, legal and regulatory requirements and board policies) and monitoring the same for effectiveness.

-Protecting the assets of the enterprise.

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Board Functions, cont.

-Resource Management i.e., providing for the viability and effective use of human and monetary capital resources within the enterprise.
- Budgeting/capital structure
- Oversight through performance measures
- Establish property tax rate

-Advocate on behalf of the organization with the community and elected officials.

-Support efforts to raise funds for the organization

-Approve the overall organizational structure

-Evaluate the performance of the board and the organization in fulfilling responsibilities and achieving the Mission, Vision and strategy, and, adhering to its values.

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Current Transition Planning for Governance

A lot of attention is being given to governance issues during this transition period. Among the issues being addressed by the Governance Team are the following:

-Bylaws of the board being drafted

-Mission, Vision, Values statements being reviewed

-Orientation program(s) being developed for those who will be elected to be the board of the new Health Care District

-Establishment of a Senior Advisory Group who will meet with the new board and advise on issues of strategic importance.

-Advising the Board of Supervisors, who sit as the Special Health Care District Board until the new District Board is elected and seated, on governance issues.

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Senior Healthcare Leadership Advisory Council

The Senior Healthcare Leadership Advisory Council, which I mentioned above, is here this evening. During the next few minutes they will share some thoughts with us on their experience with boards which have functioned effectively, and other important observations on the Role of Governance.

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Panel Discussion

Senior Healthcare Leadership Advisory Council